



PATENT

IN THE UNITED STATES
PATENT AND TRADEMARK OFFICE

APPELLANTS: Tom Van Horn, et al.
APPLICATION NO.: 09/863,801
FILING DATE: May 22, 2001
TITLE: ATTAINING PRODUCT INVENTORY GROUPINGS FOR SALES IN A GROUP-BUYING ENVIRONMENT
EXAMINER: Elaine L. Gort
GROUP ART UNIT: 3627
ATTY. DKT. NO.: 22930-06067

CERTIFICATE OF MAILING

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APPEAL BRIEF UNDER 37 C.F.R. § 1.192

Real Party in Interest

The patent application that is the subject of this appeal is owned by Vulcan Portals, Inc.

Related Appeals and Interferences

There are no known related appeals or interferences that may directly affect, be directly affected by, or have a bearing on the Board's decision in the pending appeal.

Status of Claims

Claims 1-9, 12, 21-30, and 33-35 stand finally rejected. Claims 10-11, 31-2, and 36 have been canceled, and claims 13-20 have been withdrawn from consideration. Claims 1-9, 12, 21-30, and 33-35, set forth in the Appendix attached hereto, are the subject of this appeal, as per the Notice of Appeal filed by Appellants on September 15, 2004.

Status of Amendments After Final

Appellants filed Amendment B on November 5, 2004 in accordance with 37 C.F.R. § 41.33 (a). In the amendment, Appellants canceled claims 31-33 and 36. Such cancellation does not affect the scope of any other pending claim in the proceeding. As Examiner has refused to enter proposed amendments to claims 1 and 6, as memorialized in an Advisory Action mailed February 8, 2005, these claims are presented herewith in their unamended form.

Summary of the Claimed Subject Matter

Appellants' invention is directed towards on-line group-buying sales. By aggregating a large number of consumers in one place, an on-line group-buying sale can effect a shift in power from sellers to buyers of goods and services. (Specification ("Spec."), 2:24-26.) One problem that can arise in connection with on-line group buying is that the seller must maintain the large quantities of goods needed to support the aggregated demand of the group, and so must bear additional maintenance and inventory costs. (Id., 3:3-15.) Embodiments of the invention provide sellers and others with a way to manage these costs by enabling a seller to reserve products/services from a supplier.

Each of independent claims 1, 6, and 23, for instance, is directed to a method for sourcing a featured item for an on-line group-buying sale. In claim 1, a featured item quantity and a featured time reservation is communicated to a supplier. The supplier's consent is received to reserve the featured item quantity and featured time reservation for sale in the on-line group-buying sale. An on-line group-buying sale for the featured item during the featured time reservation is conducted, and at least a portion of the feature item quantity is sold to one or more buyers. The featured items sold in the on-line group-buying sale are supplied to one or more buyers by instructing the supplier to provide the featured items to the one or more buyers. (*See Spec. at, inter alia*, 18:6-20:15; Fig. 4, at 403 *et. seq.*; Fig. 5, at 503 *et. seq.*) Related mechanisms are described in independent claims 6 and 23.

Independent claim 33 discloses another method of selling quantities of an item that can be used to combat the problem of uncertain demand while increasing the attractiveness of a buying opportunity for a seller. The method of claim 33 comprises forming an option contract to obtain an option to purchase a quantity of an item during an option period, receiving individual offers from buyers each for an individual quantity of the item at an individual unit price, and aggregating individual offers from the buyers to form an aggregated offer. Responsive to an aggregated offer for a quantity of the item above a starting quantity, the unit price of the item is lowered below a starting unit price. At some point, a final aggregated offer for a final quantity of the item is accepted at a final unit price, resulting in the automatic execution of contracts to sell the item to all the buyers whose offers are reflected in the final aggregated offer at the same final unit price for the individual quantities requested in the buyers' individual offers. (*See Spec., at, inter alia*, 10:15-25; 13:16-14:20; 18:6-20:15; Fig. 4, at 403 *et. seq.*; Fig. 5, at 503 *et. seq.*) In an

embodiment where the final aggregated offer is above the starting quantity, all of the buyers receive the benefit of the lowered price.

Grounds of Rejection for Review on Appeal

Claims 1-9, 12, 21-30, and 33-35 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent 6, 418, 415 to Walker (“Walker”) in view of the Restatement of Law, Second; Contracts 2d (“the Restatement”). Claims 1-9, 12, 21-30, and 33-35 also stand rejected under 35 U.S.C. § 103(a) as being unpatentable over the “Field of Invention” section of the current application in view of the Restatement.

Argument

I. The appealed claims are not obvious in view of Walker and the Restatement because the cited references do not teach or suggest “each and every limitation in the claim”

The Examiner rejected claims 1-9, 12, and claims 21-35 under 35 U.S.C. § 103 as being unpatentable over Walker in view of the Restatement. To render a claim unpatentable under § 103, the prior art must teach or suggest *each and every* limitation in the claim. MPEP § 2143.03; *In re Fine*, 837 F.2d 1071; 5 USPQ2d 1596 (Fed. Cir. 1988). Here, the Examiner’s rejection was improper because the suggested combination of Walker and the Restatement does not teach or suggest all of the limitations of the rejected claims. Therefore, the claimed invention would not be obvious to a person of ordinary skill in the art.

Independent claims 1, 6, and 23 each recite a method “for sourcing a featured item [or item] for an on-line group-buying sale.” To accomplish this sourcing, claim 1 and 6 recite, “to reserve the featured item quantity for the featured item time reservation for sale in the on-line group-buying sale,” and claim 23 recites “reserving a specified quantity of the item for a specified period of time for sale in the on-line group-buying sale.” Reserving an item for sale in

an on-line group-buying sale as claimed beneficially gives the seller the flexibility to purchase the items only if a sale is successful, and further to purchase only the quantity of items sold during the group buy. Thus, the seller avoids the extra expense that would otherwise be required in conventional systems. This allows the seller to manage his inventory when the outcome of a group-buying sale is unknown and uncertain. Claim 33 contains a similar limitation, in its recitation of, “an option contract to obtain an option to purchase a quantity of an item during an option period” and “wherein the contacts with the buyers are sourced by exercising the option to purchase the quantity of the item.”

The references cited by the Examiner fail to teach or suggest “reserving a specific quantity of the item” and similar elements as claimed. The Examiner admits Walker’s shortcomings. (Final Office Action, ¶ 4 (“Walker . . . is silent regarding the presence of the management system (on-line retailer) communicating a quantity and time reservation to a supplier and receiving the supplier’s consent to reserve the quantity for the time period.”)) In fact, Walker, directed towards the management of offers, provides no discussion whatsoever as to how the goods are supplied, and thus, contains no description of “sourcing” an on-line group-buying sale. At best, Walker provides:

“a CPO rule for a given agency-based airline can specify that the airline will accept any aggregate CPO for travel between Newark, N.J. (EWR) and Orlando, Fla. (MCO) during the month of October, 1997, *provided that* (i) the customer travels between Tuesday and Thursday, (ii) the tickets are booked within 21 days of departure, (iii) the price is at least \$165 per ticket, (iv) K-class *inventory is available* on all flight segments of the customer’s itinerary, and (v) there are at least two (2) passengers travelling together.” (italics added) (Walker, 7:22-31)

This excerpt merely describes a rule that an airline would use to determine what offers an airline will accept from customers, and not how the airline will source the tickets it sells from such customers. As the highlighted section makes clear, the “CPO rule” does not require “reserving” items for an on-line group-buying sale as claimed. Quite the contrary, an offer is only accepted if “inventory is available” at the time of booking.

The Examiner instead attempts to rely on the Restatement to overcome this deficiency in Walker. This reliance is misplaced. The Restatement, as reproduced by the Examiner, contains little more than the legal definition of an option contract and illustrations of option contracts. The Restatement discloses “an option contract is a promise which meets the requirements for the formation of a contract and limits the promisor’s power to revoke an offer.” (Restatement, §25) The passage cited by the Examiner states:

“A promises B under seal or in return for \$100 paid or promise by B that A will sell B 100 shares of stock in a specified corporation for \$5,000 at any time within thirty days that B selects. There is an option contract under which B has an option.” (Page 73, Illustration 1.)

This passage describes the sale of an option to buy stock, rather than stock itself, from A to B. There is no disclosure or suggestion in the Restatement that an option is used by the “buyer” B to supply the optioned good to yet another party, C. In other words, there is no suggestion in the Restatement that B use this option on a 100 shares from A, to further sell the shares to C. In the absence of this particular suggestion, the bare legal definition alone adds nothing to the disclosure of Walker.

Thus, it follows that the combination of Walker and the Restatement does not disclose or suggest the claimed invention. As discussed above, there is scant discussion in either reference of how to source the items for sale. In Walker, buyers purchase airline tickets from sellers using “conditional purchase offer[s]”. In the Restatement, “A” (the buyer) receives an option from “B” (the seller) to purchase stock at a set price during a set period of time. Even under the most generous interpretation, the combination of Walker and the Restatement merely results in Walker’s buyers obtaining options from the airline to purchase an airline ticket, instead of actually purchasing the airline tickets. This is entirely unrelated to the claimed invention. There is simply no suggestion or hint that options be used by an airline or seller to source the tickets in the first place. Thus, the references, alone or in combination, do not disclose or suggest the claimed invention.

The references fail to teach or suggest other elements of the claimed invention. Claim 1 recites “supplying the featured items sold in the on-line group-buying sale to one or more buyers by instructing the supplier to provide the items to one or more buyers.” Similarly, claim 6 discloses, “supplying a featured item sold during the on-line group-buying sale responsive to instructions from the seller,” and claim 23 recites “supplying the items bought by buyers in the on-line group-buying sale to the buyers by instructing the supplier to provide the featured items to the buyers.” The Examiner states that one or more of these limitations is met by Walker, and asserts, without providing a specific reference, that Walker discloses “the airline would receive an individual’s address to mail the ticket to them or to notify the buyer of changes.” (Final Office Action, ¶ 4) However, Walker contains no such disclosure. At best, Walker discloses that “the central controller 200 preferably executes an aggregate CPO monitoring process 1400.” (Walker, 15:18-20) Once the status of an aggregate CPO has been changed to “completed,” “purchase confirmations are then preferably transmitted to the accepting seller and each corresponding buyer.” (*Id.*, 15:58-63) Walker does not explain how the purchase is completed, much less “instructing the supplier to provide the featured item” as claimed. This element is simply missing from Walker.

In addition, claim 33 recites “responsive to an aggregated offer for a quantity of the item above a starting quantity, lowering the unit price of the item below a starting unit price,” and “automatically executes contracts to sell the item to all the buyers whose offers are reflected in the final aggregated offer, wherein the contracts with the buyers are at the same final unit price and are for the individual quantities requested in the buyers’ individual offers.” Nowhere in the Final Office Action does the Examiner address this aspect of the claimed invention. The Restatement does not address offer aggregation at all, let alone “lowering the unit price of the item below a starting unit price” as claimed. Walker in fact teaches away from the claimed invention by stating, “it is anticipated that the buyer will pay the original offer price specified in the buyer’s CPO. Alternatively, the buyer can pay the average price of the individual CPOs within the aggregate CPO, or another modified price. The individual CPO prices offered by

individual buyers may vary so that a higher individual CPO price can offset below-average CPO prices.” (Walker, 5:6-11) This statement suggests that buyers will either pay different prices entirely, or at best, pay a price that is an average of individual CPO prices. Claim 33, in contrast, recites that the buyers pay “the same final unit price” and that the unit price is not averaged but “lower[ed]...below a starting unit price” responsive to an aggregated offer for a quantity of the item above a starting quantity. The claimed invention is not obvious in light of a combination of Walker and the Restatement.

For at least these reasons, a person of ordinary skill in the art, considering the references either alone or in combination, would not find independent claims 1, 6, 23, or 33 obvious.

II. The appealed claims are not obvious in view of Walker and the Restatement because there is no suggestion to combine the references to achieve the claimed invention

To render a claim unpatentable under a combination of references under §103, there must be “some objective teaching in the prior art or knowledge generally available to one of ordinary skill in the art would lead that individual to combine the relevant teachings of the references.”

In re Fine, 837 F.2d 1074. The Examiner has not cited an objective prior art reference that provides an incentive, motivation, or suggestion for making the suggested combination. Also, the Examiner has not established by objective evidence that knowledge generally available to one of ordinary skill in the art would lead one to make the suggested combination. Thus, the suggested combination is improper.

The Examiner’s alleged “motivation” to combine Walker with the Restatement “in order to allow the seller’s [*sic*] the assurance of obtaining a product or service for a specified price if the seller desires to obtain the products or services for that agreed upon price” (Office Action, p. 4) is simply too general and vague to suggest the specific combination of Walker with the Restatement in a way that results in the claimed invention. To establish a *prima facie* case of

obviousness, the Examiner must show a motivation that is specific enough to modify the references to result in the claimed invention. A general statement of a desirable objective cannot by itself provide the required specific motivation. *In re Anita Dembiczak*, 175 F.3d 994, 999; 50 USPQ2d 1614, 1617 (Fed. Cir. 1999), (the evidence of a “suggestion, teaching, or motivation to combine . . . must be *clear and particular*.”) (emphasis added).

The Examiner’s alleged motivation is too vague because the desired assurance could be reached through any number of means – for instance, stockpiling, vertical integration, long-term supply contracts, or selling only what’s in stock, to name just a few. Thus, nothing in the references themselves or in the alleged “motivation” particularly suggests the specific use of an option to provide the reserved quantity of items as claimed. Given the absence of such a suggestion in the references or in the motivation, the combination can only spring from one place: the Examiner’s reconstruction of the invention having been instructed by the teachings of the present application. Such “hindsight” reconstruction is expressly prohibited.

For these additional reasons, a person of ordinary skill in the art, considering the references either alone or in combination, would not find independent claims 1, 6, or 23 obvious.

III. The Examiner’s rejection of the appealed claims in view of Appellants’ “Field of Invention” is improper because Appellants’ “Field of Invention” is not prior art

The Examiner has rejected the appealed claims under 35 U.S.C. § 103 as being unpatentable over Appellants’ “Field of Invention” in view of the Restatement. To render a claim unpatentable under § 103, the Examiner must cite a prior art reference or references in view of which the subject matter sought to be patented would have been obvious to a person of ordinary skill in the art. 35 U.S.C. § 103 Examiner’s rejection of the appealed claims under is improper because Appellants’ “Field of Invention” is not prior art.

The entirety of Appellants' "Field of Invention" reprinted from the specification is as follows:

The present invention relates to methods and systems that support group-buying sales methods and systems conducted over electronic networks, such as the Internet. In particular, embodiments of the invention allow sellers to reserve product inventory groupings for use in an on-line group-buying sale that aggregates buyer demand.

As a general matter, the Field of Invention is specifically *not* listed under the classes of references on which the Examiner is entitled to rely in a § 103 rejection (*See* MPEP § 2141.01; § 901-901.06(d) and §§ 2121-2129) Further, Appellants' Field of Invention does not comprise prior art because it does not "[identify] work done by another as 'prior art'" as required. (MPEP § 2129) At best, the Field of Invention generally describes aspects of Appellants' *own* invention, not the work of another.

For the foregoing reasons, Appellants submit that the rejection of the pending claims based on the cited arts was erroneous, and respectfully request reversal of these rejections.

Respectfully submitted,

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Claims Appendix

The following claims are involved in the appeal.

1. A method for sourcing a featured item for an on-line group-buying sale, comprising:
communicating to a supplier a featured item quantity and a featured item time reservation;
receiving the supplier's consent to reserve the featured item quantity for the negotiated featured item time reservation for sale in the on-line group-buying sale;
conducting an on-line group-buying sale for the featured item during the featured item time reservation, selling at least a portion of the featured item quantity to one or more buyers; and
supplying the featured items sold in the on-line group-buying sale to one or more buyers by instructing the supplier to provide the items to one or more buyers.
2. The method of claim 1, further comprising:
executing a binding agreement with the supplier regarding the featured item quantity and the featured item time reservation, wherein the binding agreement requires the supplier to retain the featured item quantity for the featured item time reservation.
3. The method of claim 2, further comprising:
providing the supplier with consideration in exchange for the supplier's execution of the binding agreement.
4. The method of claim 3 wherein the consideration is at least one of a reserve price, an agreement to reserve another featured item, and a deposit.

5. The method of claim 1, further comprising:
communicating to the supplier payment terms regarding the featured item to be sold
during the on-line group-buying sale before conducting the on-line group-
buying sale; and
paying the supplier for a number of featured items sold during the on-line group-
buying sale.
6. A method for sourcing a featured item for an on-line group-buying sale, comprising:
receiving from a seller a featured item quantity and a featured item time reservation;
negotiating with the seller to determine a featured item quantity and a featured item
time reservation;
executing a binding agreement with the seller regarding the featured item quantity and
the featured item time reservation, wherein the binding agreement requires the
seller to reserve the featured item quantity for the featured item time
reservation for sale in the on-line group buying sale;
receiving a confirmation of the sale of a featured item in an on-line group-buying sale;
and
supplying a featured item sold during the on-line group-buying sale responsive to
instructions from the seller.
7. The method of claim 6, further comprising:
retrieving the number of featured items sold during the on-line group-buying sale
from a warehouse; and
packaging the number of featured items sold during the on-line group-buying sale for
shipment to buyers.
8. The method of claim 6, further comprising:
receiving consideration from the seller in exchange for executing the binding
agreement.

9. The method of claim 8 wherein the consideration comprises at least one of a reserve price, an agreement to reserve another featured item, and a deposit.

12. The method of claim 6, further comprising:

communicating to the seller payment terms regarding the featured items to be sold during the on-line group-buying sale.

21. The method of claim 1 wherein the featured item is sold in the on-line group-buying sale at the same price to all buyers of the featured item.

22. The method of claim 6 wherein the featured item is sold in the on-line group-buying sale at the same price to all buyers of the featured item.

23. A method for sourcing an item for an on-line group-buying sale, the method comprising:

reserving a specified quantity of the item for a specified period of time for sale in the on-line group-buying sale with a supplier of the item;

selling a plurality of the items during the specified period of time to a plurality of buyers in the on-line group-buying sale; and

supplying the items bought by buyers in the on-line group-buying sale to the buyers by instructing the supplier to provide the featured items to the buyers.

24. The method of claim 23 wherein the featured item is sold in the on-line group-buying sale at the same price to all buyers of the featured item.

25. The method of claim 23 wherein reserving a specified quantity of the item during a specified period of time further comprises forming an agreement with the supplier in which consideration is provided to the supplier in exchange for the supplier's commitment to reserve the specified quantity of the item during the specified period time.

26. The method of claim 23 further comprising reserving the specified quantity of the item at a specified price.

27. The method of claim 23 further comprising the step of using a computer-implemented system to reserve the specified quantity of the item during the specified period of time with the supplier.

28. The method of claim 27 further comprising the step of using the computer-implemented system to compensate the supplier for the items supplied by the supplier to buyers in the on-line group-buying sale.

29. The method of claim 23 further comprising the step of forming an option contract with a supplier of the item, the option for the seller to purchase the specified quantity of the item for the specified period of time and expiring after an option period.

30. The method of claim 29, further comprising wherein the featured item is sold in the on-line group-buying sale at the same price to all buyers of the featured item.

33. A method of selling quantities of an item, the method comprising:
forming an option contract to obtain an option to purchase a quantity of an item during an option period;
receiving, during the option period, individual offers from buyers each for an individual quantity of the item at an individual unit price;
aggregating individual offers from the buyers to form an aggregated offer having an aggregated quantity of the individual quantities of the offers;
responsive to an aggregated offer for a quantity of the item above a starting quantity, lowering the unit price of the item below a starting unit price; and
accepting a final aggregated offer for a final quantity of the item at a final unit price, wherein accepting the final aggregated offer automatically executes contracts to sell the item to all the buyers whose offers are reflected in the final aggregated offer, wherein the contracts with the buyers are at the same final

unit price and are for the individual quantities requested in the buyers' individual offers.

34. The method of claim 33 further comprising the steps of:

receiving individual offers from buyers in an on-line group buying sale; and
accepting a final aggregated offer for a final quantity of the item, thereby
consummating an on-line group buying sale.

35. The method of claim 33 further comprising the step of using a computer-implemented system to execute contracts to sell the item to all the buyers whose offers are reflected in the final aggregated offer.